

MINUTES

LEGISLATIVE GOVERNMENT OVERSIGHT COMMITTEE

June 9 and 10, 2008

The Legislative Government Oversight Committee met June 9 and 10, 2008, in the Supreme Court Chamber at the Capitol. Representative Vicki Lensing, Chair, called the meeting to order at 1:00 p.m. on Monday, June 9. Other members present for one or both days were:

Senator Tom Courtney, Chair
Senator Michael Connolly, VC
Senator Pat Ward, RM
Senator Becky Schmitz

Representative Wayne Ford, VC
Representative Ralph Watts, RM
Representative Clel Baudler
Representative Deborah Berry
Representative Steven Olson
Representative Kurt Swaim
Representative Jodi Tymeson
Representative Wes Whitead

The following members were excused: Senator Mary Lundby.

MINUTES

Representative Lensing made a motion to approve the minutes from the previous interim meeting. No changes were noted. The Committee approved the minutes from the December 2007 meeting.

OVERVIEW

During the first day of the meeting, the Committee heard a review and discussion of the electronic benefits transfer (EBT) cards used for food assistance benefits and the fees paid to retailers and potential elimination of these fees. The second day included a discussion of the annual report by the Office of the Citizens' Aide/Ombudsman, as well as current investigations and issues and concerns that the Ombudsman believes need legislative attention. In addition, the Committee listened to investor concerns with Metromedia International Group.

EXAMINATION OF ELECTRONIC BENEFIT TRANSFERS

Presenters: Mr. Roger Munns, Public Information Officer, Department of Human Services (DHS), began the discussion and recommended elimination of the retailer fees. Ms. Lana Ross, Executive Director of the Iowa Community Action Association, and Mr. Charlie Wishman, an organizer of the Iowa Citizen Action Network, supported Mr. Munns' opinions. Mr. Jerry Fleagle, President of the Iowa Grocery Industry Association, and Mr. Brian Burnam, owner of Keith's Foods in Bloomfield, Iowa, provided opposing perspectives.

Discussion: Mr. Munns began the discussion about the EBT card, which is part of the federal Food Assistance Program under which the United States Department of Agriculture provides payments to eligible low-income individuals and families to purchase food items. According to Mr. Munns, DHS shares in the cost of administering the federal program that allows a recipient to use an EBT card to automatically debit the recipient's dedicated account. The EBT system replaces the old paper-based system of food stamp payments, and utilizes the same device that electronically processes a debit or credit card. If a grocer does not have a debit machine, the State will provide a State-leased device that only accesses EBT cards without cost to the grocer. The Department believes the use of EBT cards has been a success because it does not stigmatize recipients and reduces fraud or error attributable to a paper-based system. Mr. Munns' noted that most beneficiaries are children and that

the average benefit per family is \$200.00 per month. There are approximately 117,000 families in the State that receive food assistance. Retail grocery establishments generally use their own devices that also access commercial debit and credit cards, and are reimbursed by the State at the rate of 7 cents per transaction ("swipe") at an annual cost to the State of approximately \$500,000 with the same amount paid by the federal government. Only six other States provide for a similar reimbursement including Minnesota (4 cents), Illinois (2.5 cents), Texas (2 cents), New Jersey (1.4 cents), and Georgia (0.58 cents). Wisconsin recently terminated its reimbursement (8 cents) after conducting a study comparing the use of EBT cards with food stamps. Mr. Munns, Ms. Ross, and Mr. Wishman recommended that the reimbursement be eliminated. Mr. Munns stated that the savings resulting from the elimination of the reimbursement should be credited to the State's General Fund or appropriated for another purpose (e.g., to assist food banks), but emphasized that DHS is not proposing to receive moneys from the savings.

Mr. Jerry Fleagle and Mr. Brian Burnam provided opposing perspectives, stating that retail grocery establishments have cooperated with DHS to provide for the seamless use of the EBT system, that the State has avoided paying costs associated with installing dedicated devices including a monthly terminal lease of \$23.58, the reimbursement is intended to pay only for actual costs incurred by retail grocery establishments, and that the Wisconsin study was flawed. In response to questions, Mr. Burnam commented that a retail grocery establishment pays approximately 5 to 6 cents per transaction for processing a commercial debit card, and for \$100 of sales approximately 25 cents per transaction for processing a commercial credit card. In each of those cases, transactional costs are passed on to consumers. Mr. Fleagle noted that there are approximately 583 retail grocery establishments in the state, and that depending upon their location, more than 50 percent of transactions may be performed using a form of debit card or credit card.

Mr. Fleagle and Mr. Munns also discussed a special DHS project which promotes the use of EBT cards at local farmers markets, including by providing wireless devices to vendors at farmers markets, assuming transactional costs, and conducting an aggressive marketing campaign, amounting to an expenditure of \$504,739 between March 2005 and December 2006. Mr. Fleagle and Mr. Munns disagreed upon the degree of the project's success.

The Committee discussed a number of issues regarding the Food Assistance Program and the use of the EBT system. Committee members also discussed how EBT cards are processed, costs and savings incurred by retail grocery establishments using EBT devices, costs associated with using state-installed devices, and how the purchasing habits of recipients affects costs. The Committee raised questions regarding the eligibility of recipients, and the measures taken to ensure that undocumented immigrants are not entitled to receive program benefits as verified by DHS using the federal Systematic Alien Verification for Entitlements (SAVE).

RECESS TO TUESDAY, JUNE 10

At 3:45 p.m., Representative Lensing recessed the meeting until 9:00 a.m., Tuesday, June 10.

CALL TO ORDER

At 9:05 a.m., Tuesday, June 10, Senator Courtney, Chair, called the meeting back to order.

OFFICE OF CITIZENS' AIDE/OMBUDSMAN

Mr. William P. Angrick, the Iowa Ombudsman, presented the Office's 2007 Annual Report. He was accompanied by Ms. Ruth Cooperrider, Deputy Ombudsman. In 2007, the Office received almost 4,500 complaints and information requests and opened 57 special projects. As in past years, the greatest number of complaints and information requests concerned issues relating to the Department of Corrections. Complaints and information requests involving the state's 947 municipalities accounted for the second largest number of contacts, followed by the those involving the state's 99

counties, and DHS. Issues addressed in discussion include legislative initiatives, and specifically changes to the public records and open meetings laws and privacy protections; consideration by the Governor's Office to charge the requestor of a public record attorney fees to determine whether a record is confidential; and how electronic records may be efficiently compiled, searched, and accessed.

Mr. Angrick referred to current investigations and raised issues concerning the use of restraint chairs by county jails and rules proposed by the Department of Corrections setting forth criteria when an inmate or detainee may be restrained. The Committee was urged to consider two issues: (1) the status of mental health programs and treatment options available in the state including the impact of inmates entering the Iowa corrections system who have a psychiatric disorder, and (2) the child support collection process. Ms. Cooperrider discussed the difficulty and costs associated with modifying a child support obligation when custody circumstances change, and moneys accrue to the noncustodial parent even when the parent is in prison. DHS has authority to provide for an administrative modification, but rarely utilizes the procedure and that the Supreme Court is considering a simpler pro se (self-representation) process. Committee members discussed a number of issues. It was noted that the proposed charge for examining public records for confidential information arises when an agency has a request for an extraordinary number of records. It was noted that the Department of Corrections will freeze the assets of inmates who are being paid child support when it comes to the Department's attention.

The Committee expressed hope that the General Assembly may reform the open records and open meetings law during the next legislative session. The Committee also expressed a desire to further review issues relating to mental health options and child support modification orders. The Committee discussed the change in Iowa law regarding the collection of child support from \$10,000 or more in winnings at Iowa's casinos.

INVESTOR CONCERNS WITH METROMEDIA INTERNATIONAL GROUP, INC.

Mr. Kevin McLaughlin presented information on behalf of a number of persons who invested moneys in Metromedia International Group Inc. According to Mr. McLaughlin, the company was involved in various multimillion dollar ventures, both domestic and foreign, relating to the telecommunications and media industries, and suffered a dramatic decrease in stock value before being sold to a private investor at a fraction of its recent value. Mr. McLaughlin expressed concerns regarding the conduct of officers and directors of the corporation, involving alleged improper accounting practices, business decisions, loans, and voting procedures, and alleged violations of federal law including the Securities Exchange Act of 1934, 15 U.S.C. § 78a et seq. The Committee declined to accept company business records held by Mr. McLaughlin, but did consider drafting a letter to Iowa's Congressional delegation inquiring whether a federal inquiry is appropriate.

NEXT MEETINGS

The following dates have been scheduled for additional Interim meetings: July 21 and 22, September 15 and 16, October 27 and 28, and December 15 and 16.

ACTION ITEMS – FOLLOW UP

Several questions were asked of the presenters. LSA Staff will follow up with all the specific questions for the agencies.

ADJOURNED

Senator Courtney adjourned the meeting at 12:10 p.m.